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March 24, 1994

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**EX PARTE**

William F. Caton  
Acting Secretary  
Federal Communications Commission  
Mail Stop 1170  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

Dear Mr. Caton:

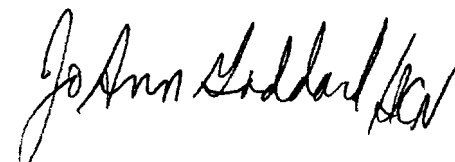
Re: CC Docket 93-162: Data Request in Expanded Interconnection Tariff Filings  
1600C1

The attached information was provided to Chuck Needy of the Tariff Division, Common Carrier Bureau.

Two copies of this notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



Attachment

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SECTION 1

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**OVERVIEW**

This study identifies the direct cost of Pacific Bell's DS1, DS3, DS3x3 and DS3x12 services. Cost were identified for both optical and electrical DS3 interfaces. Service costs are based on one channel termination, channel mileage and two channel mileage terminations (one for each end of the interoffice channel). Average channel miles and terminations were based on quantities filed in the 1993 Annual Filing. Average service revenue reflects current recurring rates as of March 21, 1994 weighted by the appropriate occurrence. Overhead factors were identified by dividing the monthly service rate by the monthly service cost. Page 1.4 displays a Service Overhead Summary for each type circuit.

This study is organized into 11 sections. Section 1 includes an overview, a methodology description and a service summary. Section 2 displays the average service revenue. Sections 3 through 11 provide detailed cost studies for each service. Each section contains a cost summary which displays the direct cost components for that service. This summary references detailed supporting cost worksheets included in that section. Also included in each section is an investment summary which identifies unit investment by account and rate element. Interoffice mileage rate element investments are weighted by the appropriate mileage and channel occurrences identified from the 1993 annual filing. The sum total of the average service channel termination and mileage rate element investments is the basis of service specific costs.

## **SECTION 2**

### **METHODOLOGY**

The direct cost by service was identified based on an analysis of plant and equipment used to provide each service. Unit investments were identified based on the average expected utilization of plant and equipment and the average number of channels per serving arrangement. Account specific costs were identified for depreciation, cost of money, income taxes, maintenance expense, administrative expense, marketing expense and other taxes.

Unit investments were identified using current costs for plant and equipment. Investment was identified by USOA account for fiber optic terminals and digital equipment (Account 223210) and exchange fiber plant (Account 242200). Land and building investment were developed based on the historical relationships between accounts for digital circuit equipment (Account 223210) and the associated land (Account 211100) and building (Account 212100) required to house the equipment. Exchange fiber investment was based on the average serving length and expected average plant utilization. Interoffice fiber investment reflects the expected fiber utilization and a weighting for intermediate office investment. Conduit investment (Account 244149) was based on a proration of conduit investment to fiber plant. Unit investment calculations included appropriate utilization factors reflecting the average expected utilization of the plant or equipment over its economic life.

### **RECURRING COSTS**

Recurring cost is comprised of depreciation, cost of money, income taxes and expenses associated with maintenance, administration, marketing and other taxes. These costs are identified by applying standard factors to either gross or net investment (gross investment less depreciation reserve). The cost summary within each section displays the cumulative totals for the Direct Cost components listed above. Recurring costs are identified at the account level as follows:

FCC factors for the cost of money and corresponding income taxes are applied, by account, to identify both the annual cost of money and annual income taxes. The cost of money represents Pacific Bell's allowed return on undepreciated plant. The FCC return and income tax (RIT) factors have been adjusted to include net investment and are therefore applied to gross current investment.

## **Recurring Costs contd**

The cost of money is calculated by first determining the portion of Return and Income Tax ("RIT") attributable to the cost of money and that portion attributable to income taxes.

The cost of money and cost associated with income taxes are identified for each plant account at lines 4 and 5 as shown on Recurring Cost Workpapers within each section.

Depreciation rates were applied to gross current investment by account to identify annual depreciation expenses as prescribed by the FCC. Line 6 of the Recurring Cost Workpapers display the annual cost factors for each account.

A maintenance factor was applied to gross book investment, by plant account to identify annual maintenance expense. The factor was developed by dividing the annual maintenance for an account by gross book investment for that account. Line 7 of the Recurring Cost Workpapers display the annual cost factors for each account.

Factors for administration, marketing and other taxes were applied to equivalent gross book investment to identify annual expenses. The factors were developed by dividing direct annual administrative, marketing and other tax expenses by gross book investment, all of which are allocated to Pacific Bell defined service categories. One of the categories includes all Special Access services. Lines 8, 9 and 10 of the Recurring Cost Workpapers display the resulting annual factors.

The application of all these factors to investment identifies the direct cost that will recover all investment related expenses. Total expenses by account are then summed to produce the Cost Summary. In most instances the annual cost factors used in this study are identical to those used to calculate recurring costs for the expanded interconnection rate elements. Two exceptions are as follows. First, the digital depreciation expense factor is greater for certain service cost calculations. The fiber optic equipment used to provide DS3X12 service has a shorter expected service life than collocation circuit equipment. The application of this factor increases costs. Second, the identification of marketing, other taxes and administrative expenses are captured by discrete factors in this analysis to display the greater detail requested by the FCC. These components were captured by a single administrative factor in the collocation cost studies. The application of discrete factors cumulatively produces the same result as the single factor used for collocation cost studies.

The overhead loading is based on the relationship of corporate overheads to total gross book investment for all Pacific Bell Special Access Products. The application of the overhead factor as shown at line 12 as shown on the Recurring Cost Workpapers captures expenses associated with legal, regulatory accounting and other indirect functions in a reasonable manner. The application of this factor is also consistent with cost studies done for collocation and other new products recently tariffed.

**SERVICE OVERHEAD SUMMARY**

SERVICE TYPE	OVERHEAD FACTOR	PAGE
DS3 1 YR	1.31	3.1
DS3 1 YR, OPTICAL	1.57	3.1
DS3 3 YR	1.33	4.1
DS3 3 YR, OPTICAL	1.53	4.1
DS3 5 YR	1.32	5.1
DS3 5 YR, OPTICAL	1.59	5.1
DS3X3 1 YR	to be completed	6.1
DS3X3 1 YR, OPTICAL	to be completed	6.1
DS3X3 YR	to be completed	7.1
DS3X3 3 YR, OPTICAL	to be completed	7.1
DS3X3 5 YR	to be completed	8.1
DS3X3 5 YR, OPTICAL	to be completed	8.1
DS3X12 YR	to be completed	9.1
DS3X12 3 YR, OPTICAL	to be completed	9.1
DS3X12 5 YR	to be completed	10.1
DS3X12 5 YR, OPTICAL	to be completed	10.1
DS1	to be completed	11.1

1.4

**WORKSHEET 2.1****AVG RECURRING RATE PER SERVICE**

		A*	B*	C
		CHAN TERM	AVG MILEAGE	TOTAL (A+B)
CHAN TERM TYPE				
1	DS3 1YR W/ BQ	\$2,500	\$857	\$3,357
2	DS3 3YR W/ BQ	\$2,000	\$857	\$2,857
3	DS3 5YR W/ BQ	\$1,800	\$857	\$2,657
4				
5	DS3 1YR W/O BQ	\$1,650	\$857	\$2,507
6	DS3 3YR W/O BQ	\$1,350	\$857	\$2,207
7	DS3 5YR W/O BQ	\$1,180	\$857	\$2,037
8				
9	DS3X3 1YR W/ BQ	\$6,989	\$2,570	\$9,559
10	DS3X3 3YR W/ BQ	\$4,000	\$2,570	\$6,570
11	DS3X3 5YR W/ BQ	\$3,500	\$2,570	\$6,070
12				
13	DS3X3 1YR W/O BQ	\$4,053	\$2,570	\$6,623
14	DS3X3 3YR W/O BQ	\$2,400	\$2,570	\$4,970
15	DS3X3 5YR W/O BQ	\$1,800	\$2,570	\$4,370
16				
17	DS3X12 3YR W/ BQ	\$11,500	\$10,280	\$21,780
18	DS3X12 5YR W/ BQ	\$9,000	\$10,280	\$19,280
19				
20	DS3X12 3YR W/O BQ	\$8,300	\$10,280	\$18,580
21	DS3X12 5YR W/O BQ	\$6,600	\$10,280	\$16,880

\*Col A, 3/21/94 Rates

Col B: Worksheet 2.7, Avg Mileage Rate

**WORKSHEET 2.2****AVG MILEAGE RATE PER SERVICE**

	A UNIT REVENUE*	B RATE ELEMENT* QTY	C OCCUR WTG	D WTD MI REVENUE (D*B)
<b>DS3 MILEAGE RATE ELEMENTS</b>				
1 MILEAGE: PER CKT	\$833.00	1	0.57	\$473
2 MILEAGE: PER MILE	\$43.70	15.5	0.57	\$384
3				
4			TOTAL DS3	\$857
5				
6			TOTAL DS3X3	\$2,570
7				
8			TOTAL DS3X12	\$10,280
9				
10				
11				
12				
13 <b>CALCULATION: AVERAGE CHANNEL MILEAGE</b>				
14				
15 DS1 CHAN MI(0.0-0.0) CKT		2,995		
16 DS1 CHAN MI(0.1& OVER)CKT		3,938		
17 TOTAL CKTS		6,933		
18 DS1 CHAN MI(0.1& OVER)IOM		60,845		
19				
20 MI FIXED OCCUR WTG (Col B Ln 16/ Ln 17)		0.57		
21 CKT MILES (Col B Ln 18/Ln 16)		15.45		
22 AVG CKT MILES (Col B Ln 18/ Ln 17)		8.78		
23				
24 DS3 Volumes from Base Period, Pacific Bell 1993 Annual Filing, Workpaper III C-2.10				

**RECURRING COST SUMMARY, Avg DS3 Service 1 yr Term****DS3 Electrical      DS3 Optical**

<b>1 Gross Investment</b>	<b>\$133,824</b>	<b>\$92,169</b>	<b>See Worksheet 3.2</b>
<b>Annual Cost</b>			
<b>2 Cost of Money</b>	<b>\$8,541</b>	<b>\$5,556</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>3 State &amp; Fed Taxes</b>	<b>\$3,379</b>	<b>\$2,198</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>4 Depreciation</b>	<b>\$9,383</b>	<b>\$5,163</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>5 Repair and Maintenance</b>	<b>\$1,613</b>	<b>\$903</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>6 Administration</b>	<b>\$5,585</b>	<b>\$3,738</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>7 Marketing</b>	<b>\$1,318</b>	<b>\$882</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>8 Other Taxes</b>	<b>\$995</b>	<b>\$666</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>9 Subtotal of Expenses</b>	<b>\$30,814</b>	<b>\$19,106</b>	<b>Sum(Ln 2...Ln 8)</b>
<b>10 Overhead</b>	<b>\$3,439</b>	<b>\$2,302</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>11 Total Annual Cost</b>	<b>\$34,254</b>	<b>\$21,408</b>	<b>Ln 9 + Ln 10</b>
<b>12 Monthly Cost</b>	<b>\$2,854.48</b>	<b>\$1,784.02</b>	<b>Ln 11/12</b>
<b>13 Direct Cost</b>	<b>\$2,567.87</b>	<b>\$1,592.18</b>	<b>Ln 9/12</b>
<b>14 Monthly Rate</b>	<b>\$3,356.67</b>	<b>\$2,506.67</b>	<b>Avg Recurring Revenue Worksheet 2.1, Col C</b>
<b>15 Overhead Factor</b>	<b>1.31</b>	<b>1.57</b>	<b>Ln 14/ Ln 13</b>

**3.1**



**INVESTMENT SUMMARY**

DS3 Service, 1 yr

**Investment Summary by Rate Element**

<b>Investment by Account*</b>	<b>Chan Term</b>	<b>Mileage Fixed (wtd)</b>	<b>Mileage</b>	<b>Account Total Sum by row</b>
1 Digital Eq CO(Account 223210)	\$34,526	\$8,535	\$6,593	\$49,655
2 Digital Eq Remote (Account 223210	\$41,655	\$0	\$0	\$41,655
3 Land,( Account 211100)	\$314	\$78	\$60	\$452
4 Building (Account 212100)	\$3,668	\$907	\$700	\$5,275
5 Fiber (Account 242212)	\$23,800	\$0	\$6,191	\$29,991
6 Conduit (Account 244149)	\$5,395	\$0	\$1,403	\$6,798
<b>TOTAL</b>	<b>\$109,357</b>	<b>\$9,519</b>	<b>\$14,948</b>	<b>\$133,824</b>
<b>TOTAL Optical (w/o Remote BQ)</b>	<b>\$67,703</b>	<b>\$9,519</b>	<b>\$14,948</b>	<b>\$92,169</b>

\*Identified by Pacific Bell Investment studies

# **RECURRING COST WORKSHEET 2.3**

## **COST BY ACCOUNT PER AVG DS3 SERVICE**

	A	B	C	
Account Number	244149	242212		SOURCE, Col. A, B
Account Description	CONDUIT	FIBER		
Cost Factors				
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.1033	0.0957		1992 Company Study
3 St/Fed Tax as a % of RIT	0.2835	0.2835		1992 Company Study
4 Cost of Money	0.0740	0.0686		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0293	0.0271		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0220	0.0440		1992 Company Study
7 Repair and Maintenance	0.00113	0.0054		1992 Company Study
8 Administrative	0.0466	0.0466		1992 Company Study
9 Marketing	0.0110	0.0110		1992 Company Study
10 Other Taxes	0.0083	0.0083		1992 Company Study
11 Overhead	0.0287	0.0287	Total (A+B)	1992 Company Study
12 Gross Investment	\$6,798	\$29,991	\$36,788	Worksheet 2.2
Annual Cost				
13 Cost of Money	\$503	\$2,056	\$2,560	Ln 4 * Ln 12
14 State & Fed Taxes	\$199	\$814	\$1,013	Ln 5 * Ln 12
15 Depreciation	\$150	\$1,320	\$1,469	Ln 6 * Ln 12
16 Repair and Maintenance	\$8	\$162	\$170	Ln 7 * Ln 12
17 Administration	\$317	\$1,398	\$1,714	Ln 8 * Ln 12
18 Marketing	\$75	\$330	\$405	Ln 9 * Ln 12
19 Other Taxes	\$56	\$249	\$305	Ln 10 * Ln 12
20 Subtotal of Expenses	\$1,307	\$6,328	\$7,635	Sum (Ln 13...Ln 19)
21 Overhead	\$195	\$861	\$1,056	Ln 11 * Ln 12
22 Total Annual Costs	\$1,503	\$7,189	\$8,691	Ln 20 + Ln 21

# **RECURRING COST WORKSHEET 2.4**

## **COST BY ACCOUNT PER AVG DS3 SERVICE**

	A	B	
Account Number	211100	212100	SOURCE, Col. A, B
Account Description	LAND	BUILDING	
<b>Cost Factors</b>			
1 Net Plant	1.0000	1.0000	Accounted for in RIT
2 FCC RIT	0.1614	0.1165	1992 Company Study
3 St/Fed Tax as a % of RIT	28.35%	28.35%	1992 Company Study
4 Cost of Money	0.1156	0.0835	Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0458	0.0330	Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0080	0.0290	1992 Company Study
7 Repair and Maintenance	0.0000	0.0261	1992 Company Study
8 Administration	0.0466	0.0466	1992 Company Study
9 Marketing	0.0110	0.0110	1992 Company Study
10 Other Taxes	0.0083	0.0083	Total (A+B)
11 Overhead	0.0287	0.0287	
12 Gross Investment	\$452	\$5,275	\$5,726 See Workpaper 2.2
<b>Annual Cost</b>			
13 Cost of Money	\$52	\$440	\$493 Ln 4 * Ln 12
14 State & Fed Taxes	\$21	\$174	\$195 Ln 5 * Ln 12
15 Depreciation	\$0	\$153	\$153 Ln 6 * Ln 12
16 Repair and Maintenance	\$0	\$138	\$138 Ln 7 * Ln 12
17 Administration	\$21	\$246	\$267 Ln 8 * Ln 12
18 Marketing	\$5	\$58	\$63 Ln 9 * Ln 12
19 Other Taxes	\$4	\$44	\$48 Ln 10 * Ln 12
20 Subtotal of Expenses	\$103	\$1,253	\$1,355 Sum (Ln 13...Ln 19)
21 Overhead	\$13	\$151	\$164 Ln 11 * Ln 12
22 Total Annual Costs	\$116	\$1,404	\$1,520 Ln 20 + Ln 21

# **RECURRING COST WORKSHEET 2.5**

## **COST BY ACCOUNT PER AVG DS3 SERVICE**

Account Number Account Description  Cost Factors	A	B		SOURCE, Col. A, B
	DIGITAL BQ C0	223210 DIGITAL EQ REMOTE		
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.0839	0.0839		1992 Company Study
3 St/Fed Tax as a % of RIT	28.35%	28.35%		1992 Company Study
4 Cost of Money	0.0601	0.0601		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0238	0.0238		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0850	0.0850		1992 Company Study
7 Repair and Maintenance	0.0143	0.0143		1992 Company Study
8 Administration	0.0466	0.0466		1992 Company Study
9 Marketing	0.0110	0.0110		1992 Company Study
10 Other Taxes	0.0083	0.0083		1992 Company Study
11 Overhead	0.0287	0.0287		1992 Company Study
12 Gross Current Investment	\$49,655	\$41,655	Total (A+B)	
13 Equivalent Gross Book Investment	\$39,629	\$37,696	\$91,309	See Workpaper 2.2 Line 10/ cc/bc ratio
Annual Cost				
14 Cost of Money	\$2,985	\$2,504	\$5,489	Ln 4 * Ln 12
15 State & Fed Taxes	\$1,181	\$991	\$2,172	Ln 5 * Ln 12
16 Depreciation	\$4,221	\$3,541	\$7,761	Ln 6 * Ln 12
17 Repair and Maintenance	\$710	\$596	\$1,306	Ln 7 * Ln 12
18 Administration	\$1,847	\$1,757	\$3,603	Ln 8 * Ln 13
19 Marketing	\$436	\$415	\$851	Ln 9 * Ln 13
20 Other Taxes	\$329	\$313	\$642	Ln 10 * Ln 13
21 Subtotal of Expenses	\$11,708	\$10,115	\$21,824	Sum (Ln 14...Ln 20)
22 Overhead	\$1,137	\$1,082	\$2,219	Ln 9 * Ln 11
Total Annual Costs	\$12,846	\$11,197	\$24,043	Ln 17 + Ln 18

3.5

# **RECURRING COST SUMMARY, Avg DS3 Service 3 yr Term**

**DS3 Electrical      DS3 Optical**

<b>1 Gross Investment</b>	<b>\$112,395</b>	<b>\$81,955</b>	<b>See Worksheet 3.2</b>
Annual Cost			
<b>2 Cost of Money</b>	<b>\$7,229</b>	<b>\$4,803</b>	<b>See Col C , Recurring Cost Worksheets, Sum by item</b>
<b>3 State &amp; Fed Taxes</b>	<b>\$2,860</b>	<b>\$1,900</b>	<b>See Col C , Recurring Cost Worksheets, Sum by item</b>
<b>4 Depreciation</b>	<b>\$7,615</b>	<b>\$4,185</b>	<b>See Col C , Recurring Cost Worksheets, Sum by item</b>
<b>5 Repair and Maintenance</b>	<b>\$1,298</b>	<b>\$720</b>	<b>See Col C , Recurring Cost Worksheets, Sum by item</b>
<b>6 Administration</b>	<b>\$4,723</b>	<b>\$3,222</b>	<b>See Col C , Recurring Cost Worksheets, Sum by item</b>
<b>7 Marketing</b>	<b>\$1,115</b>	<b>\$761</b>	<b>See Col C , Recurring Cost Worksheets, Sum by item</b>
<b>8 Other Taxes</b>	<b>\$841</b>	<b>\$574</b>	<b>See Col C , Recurring Cost Worksheets, Sum by item</b>
<b>9 Subtotal of Expenses</b>	<b>\$25,682</b>	<b>\$16,165</b>	<b>Sum(Ln 2...Ln 8)</b>
<b>10 Overhead</b>	<b>\$2,909</b>	<b>\$1,984</b>	<b>See Col C , Recurring Cost Worksheets, Sum by item</b>
<b>11 Total Annual Cost</b>	<b>\$28,591</b>	<b>\$18,150</b>	<b>Ln 9 + Ln 10</b>
<b>12 Monthly Cost</b>	<b>\$2,382.55</b>	<b>\$1,512.48</b>	<b>Ln 11/12</b>
<b>13 Direct Cost</b>	<b>\$2,140.14</b>	<b>\$1,347.11</b>	<b>Ln 9/12</b>
<b>14 Monthly Rate</b>	<b>\$2,856.67</b>	<b>\$2,206.67</b>	<b>Avg Recurring Revenue Worksheet 2.1, Col C</b>
<b>15 Overhead Factor</b>	<b>1.33</b>	<b>1.53</b>	<b>Ln 14/ Ln 13</b>

**4.1**

**INVESTMENT SUMMARY**

DS3 Service, 3 yr term

**Investment Summary by Rate Element**

Investment by Account*	Chan Term	Mileage Fixed (wtd)	Mileage	Account Total Sum by row
1 Digital Eq CO(Account 223210)	\$25,231	\$8,535	\$6,593	\$40,359
2 Digital Eq Remote (Account 223210)	\$30,440	\$0	\$0	\$30,440
3 Land,( Account 211100)	\$242	\$78	\$60	\$379
4 Building (Account 212100)	\$2,821	\$907	\$700	\$4,428
5 Fiber (Account 242212)	\$23,800	\$0	\$6,191	\$29,991
6 Conduit (Account 244149)	\$5,395	\$0	\$1,403	\$6,798
TOTAL	\$87,928	\$9,519	\$14,948	\$112,395
TOTAL Optical (w/o Remote BQ)	\$57,488	\$9,519	\$14,948	\$81,955

\*Identified by Pacific Bell Investment studies

# **RECURRING COST WORKSHEET 2.3**

## **COST BY ACCOUNT PER AVG DS3 SERVICE**

	A	B	C	
Account Number	244149	242212		SOURCE, Col. A, B
Account Description	CONDUIT	FIBER		
Cost Factors				
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.1033	0.0957		1992 Company Study
3 St/Fed Tax as a % of RIT	0.2835	0.2835		1992 Company Study
4 Cost of Money	0.0740	0.0686		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0293	0.0271		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0220	0.0440		1992 Company Study
7 Repair and Maintenance	0.00113	0.0054		1992 Company Study
8 Administrative	0.0466	0.0466		1992 Company Study
9 Marketing	0.0110	0.0110		1992 Company Study
10 Other Taxes	0.0083	0.0083		1992 Company Study
11 Overhead	0.0287	0.0287	Total (A+B)	1992 Company Study
12 Gross Investment	\$6,798	\$29,991	\$36,788	Worksheet 2.2
Annual Cost				
13 Cost of Money	\$503	\$2,056	\$2,560	Ln 4 * Ln 12
14 State & Fed Taxes	\$199	\$814	\$1,013	Ln 5 * Ln 12
15 Depreciation	\$150	\$1,320	\$1,469	Ln 6 * Ln 12
16 Repair and Maintenance	\$8	\$162	\$170	Ln 7 * Ln 12
17 Administration	\$317	\$1,398	\$1,714	Ln 8 * Ln 12
18 Marketing	\$75	\$330	\$405	Ln 9 * Ln 12
19 Other Taxes	\$56	\$249	\$305	Ln 10 * Ln 12
20 Subtotal of Expenses	\$1,307	\$6,328	\$7,635	Sum (Ln 13...Ln 19)
21 Overhead	\$195	\$861	\$1,056	Ln 11 * Ln 12
22 Total Annual Costs	\$1,503	\$7,189	\$8,691	Ln 20 + Ln 21

# **RECURRING COST WORKSHEET 2.4**

## **COST BY ACCOUNT PER AVG DS3 SERVICE**

	A	B	
Account Number	211100	212100	SOURCE, Col. A, B
Account Description	LAND	BUILDING	
<b>Cost Factors</b>			
1 Net Plant	1.0000	1.0000	Accounted for in RIT
2 PCC RIT	0.1614	0.1165	1992 Company Study
3 St/Fed Tax as a % of RIT	28.35%	28.35%	1992 Company Study
4 Cost of Money	0.1156	0.0835	Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0458	0.0330	Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0000	0.0290	1992 Company Study
7 Repair and Maintenance	0.0000	0.0261	1992 Company Study
8 Administration	0.0466	0.0466	1992 Company Study
9 Marketing	0.0110	0.0110	1992 Company Study
10 Other Taxes	0.0083	0.0083	Total (A+B)
11 Overhead	0.0287	0.0287	
12 Gross Investment	\$379	\$4,428	\$4,807 See Workpaper 2.2
<b>Annual Cost</b>			
13 Cost of Money	\$44	\$370	\$413 Ln 4 * Ln 12
14 State & Fed Taxes	\$17	\$146	\$164 Ln 5 * Ln 12
15 Depreciation	\$0	\$128	\$128 Ln 6 * Ln 12
16 Repair and Maintenance	\$0	\$116	\$116 Ln 7 * Ln 12
17 Administration	\$18	\$206	\$224 Ln 8 * Ln 12
18 Marketing	\$4	\$49	\$53 Ln 9 * Ln 12
19 Other Taxes	\$3	\$37	\$40 Ln 10 * Ln 12
20 Subtotal of Expenses	\$86	\$1,052	\$1,138 Sum (Ln 13...Ln 19)
21 Overhead	\$11	\$127	\$138 Ln 11 * Ln 12
22 Total Annual Costs	\$97	\$1,179	\$1,276 Ln 20 + Ln 21



# **RECURRING COST WORKSHEET 2.5**

## **COST BY ACCOUNT PER AVG DS3 SERVICE**

Account Number Account Description  Cost Factors	A		B		SOURCE, Col. A, B
	DIGITAL BQ C0		223210 DIGITAL BQ REMOTE		
1 Net Plant	1.0000		1.0000		Accounted for in RIT
2 FCC RIT	0.0839		0.0839		1992 Company Study
3 St/Fed Tax as a % of RIT	28.35%		28.35%		1992 Company Study
4 Cost of Money	0.0601		0.0601		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0238		0.0238		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0850		0.0850		1992 Company Study
7 Repair and Maintenance	0.0143		0.0143		1992 Company Study
8 Administration	0.0466		0.0466		1992 Company Study
9 Marketing	0.0110		0.0110		1992 Company Study
10 Other Taxes	0.0083		0.0083		1992 Company Study
11 Overhead	0.0287		0.0287		1992 Company Study
12 Gross Current Investment	\$40,359		\$30,440	Total (A+B) \$70,799	See Workpaper 2.2
13 Equivalent Gross Book Investment	\$32,210		\$27,547		Line 10/ cc/bc ratio
<b>Annual Cost</b>					
14 Cost of Money	\$2,426		\$1,830	\$4,256	Ln 4 * Ln 12
15 State & Fed Taxes	\$960		\$724	\$1,684	Ln 5 * Ln 12
16 Depreciation	\$3,431		\$2,587	\$6,018	Ln 6 * Ln 12
17 Repair and Maintenance	\$577		\$435	\$1,012	Ln 7 * Ln 12
18 Administration	\$1,501		\$1,284	\$2,785	Ln 8 * Ln 13
19 Marketing	\$354		\$303	\$657	Ln 9 * Ln 13
20 Other Taxes	\$267		\$229	\$496	Ln 10 * Ln 13
21 Subtotal of Expenses	\$9,516		\$7,392	\$16,908	Sum (Ln 14...Ln 20)
22 Overhead	\$924		\$791	\$1,715	Ln 9 * Ln 11
Total Annual Costs	\$10,441		\$8,183	\$18,623	Ln 17 + Ln 18

# **RECURRING COST SUMMARY, Avg DS3 Service 5 yr Term**

**DS3 Electrical      DS3 Optical**

<b>1 Gross Investment</b>	<b>\$106,209</b>	<b>\$79,152</b>	<b>See Worksheet 5.2</b>
<b>Annual Cost</b>			
<b>2 Cost of Money</b>	<b>\$6,857</b>	<b>\$4,600</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>3 State &amp; Fed Taxes</b>	<b>\$2,713</b>	<b>\$1,820</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>4 Depreciation</b>	<b>\$7,090</b>	<b>\$3,897</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>5 Repair and Maintenance</b>	<b>\$1,209</b>	<b>\$672</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>6 Administration</b>	<b>\$4,476</b>	<b>\$3,079</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>7 Marketing</b>	<b>\$1,057</b>	<b>\$727</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>8 Other Taxes</b>	<b>\$797</b>	<b>\$548</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>9 Subtotal of Expenses</b>	<b>\$24,199</b>	<b>\$15,344</b>	<b>Sum(Ln 2...Ln 8)</b>
<b>10 Overhead</b>	<b>\$2,757</b>	<b>\$1,897</b>	<b>See Col C, Recurring Cost Worksheets, Sum by item</b>
<b>11 Total Annual Cost</b>	<b>\$26,956</b>	<b>\$17,241</b>	<b>Ln 9 + Ln 10</b>
<b>12 Monthly Cost</b>	<b>\$2,246.35</b>	<b>\$1,436.71</b>	<b>Ln 11/12</b>
<b>13 Direct Cost</b>	<b>\$2,016.61</b>	<b>\$1,278.67</b>	<b>Ln 9/12</b>
<b>14 Monthly Rate</b>	<b>\$2,656.67</b>	<b>\$2,036.67</b>	<b>Avg Recurring Revenue Worksheet 2.1, Col C</b>
<b>15 Overhead Factor</b>	<b>1.32</b>	<b>1.59</b>	<b>Ln 14/ Ln 13</b>

**5.1**

# **INVESTMENT SUMMARY**

DS3 Service, 5 yr term

## **Investment Summary by Rate Element**

Investment by Account*	Chan Term	Mileage Fixed (wtd)	Mileage	Account Total Sum by row
1 Digital Eq CO(Account 223210)	\$22,427	\$8,535	\$6,593	\$37,556
2 Digital Eq Remote (Account 223210)	\$27,058	\$0	\$0	\$27,058
3 Land, (Account 211100)	\$242	\$78	\$60	\$379
4 Building (Account 212100)	\$2,821	\$907	\$700	\$4,428
5 Fiber (Account 242212)	\$23,800	\$0	\$6,191	\$29,991
6 Conduit (Account 244149)	\$5,395	\$0	\$1,403	\$6,798
<b>TOTAL</b>	<b>\$81,743</b>	<b>\$9,519</b>	<b>\$14,948</b>	<b>\$106,209</b>
<b>TOTAL Optical (w/o Remote EQ)</b>	<b>\$54,685</b>	<b>\$9,519</b>	<b>\$14,948</b>	<b>\$79,152</b>

\*Identified by Pacific Bell Investment studies

# **RECURRING COST WORKSHEET 2.3**

## **COST BY ACCOUNT PER AVG DSJ SERVICE**

	A	B	C	
Account Number	244149	242212		SOURCE, Col. A, B
Account Description	CONDUIT	FIBER		
Cost Factors				
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.1033	0.0957		1992 Company Study
3 St/Fed Tax as a % of RIT	0.2835	0.2835		1992 Company Study
4 Cost of Money	0.0740	0.0686		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0293	0.0271		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0220	0.0440		1992 Company Study
7 Repair and Maintenance	0.00113	0.0054		1992 Company Study
8 Administrative	0.0466	0.0466		1992 Company Study
9 Marketing	0.0110	0.0110		1992 Company Study
10 Other Taxes	0.0083	0.0083		1992 Company Study
11 Overhead	0.0287	0.0287	Total (A+B)	1992 Company Study
12 Gross Investment	\$6,798	\$29,991	\$36,788	Worksheet 2.2
Annual Cost				
13 Cost of Money	\$503	\$2,056	\$2,560	Ln 4 * Ln 12
14 State & Fed Taxes	\$199	\$814	\$1,013	Ln 5 * Ln 12
15 Depreciation	\$150	\$1,320	\$1,469	Ln 6 * Ln 12
16 Repair and Maintenance	\$8	\$162	\$170	Ln 7 * Ln 12
17 Administration	\$317	\$1,398	\$1,714	Ln 8 * Ln 12
18 Marketing	\$75	\$330	\$405	Ln 9 * Ln 12
19 Other Taxes	\$56	\$249	\$305	Ln 10 * Ln 12
20 Subtotal of Expenses	\$1,307	\$6,328	\$7,635	Sum (Ln 13...Ln 19)
21 Overhead	\$195	\$861	\$1,056	Ln 11 * Ln 12
22 Total Annual Costs	\$1,503	\$7,189	\$8,691	Ln 20 + Ln 21

**RECURRING COST WORKSHEET 2.4****COST BY ACCOUNT PER AVG DS3 SERVICE**

	A	B	C	
Account Number	211100	212100		SOURCE, Col. A, B
Account Description	LAND	BUILDING		
Cost Factors				
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.1614	0.1165		1992 Company Study
3 St/Fed Tax as a % of RIT	28.35%	28.35%		1992 Company Study
4 Cost of Money	0.1156	0.0835		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0458	0.0330		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0000	0.0290		1992 Company Study
7 Repair and Maintenance	0.0000	0.0261		1992 Company Study
8 Administration	0.0466	0.0466		1992 Company Study
9 Marketing	0.0110	0.0110		1992 Company Study
10 Other Taxes	0.0083	0.0083	Total (A+B)	
11 Overhead	0.0287	0.0287		
12 Gross Investment	\$379	\$4,428	\$4,807	See Workpaper 2.2
Annual Cost				
13 Cost of Money	\$44	\$370	\$413	Ln 4 * Ln 12
14 State & Fed Taxes	\$17	\$146	\$164	Ln 5 * Ln 12
15 Depreciation	\$0	\$128	\$128	Ln 6 * Ln 12
16 Repair and Maintenance	\$0	\$116	\$116	Ln 7 * Ln 12
17 Administration	\$18	\$206	\$224	Ln 8 * Ln 12
18 Marketing	\$4	\$49	\$53	Ln 9 * Ln 12
19 Other Taxes	\$3	\$37	\$40	Ln 10 * Ln 12
20 Subtotal of Expenses	\$86	\$1,052	\$1,138	Sum (Ln 13...Ln 19)
21 Overhead	\$11	\$127	\$138	Ln 11 * Ln 12
22 Total Annual Costs	\$97	\$1,179	\$1,276	Ln 20 + Ln 21

5.4

Note: Numbers may not add due to rounding 03/24/94

# **RECURRING COST WORKSHEET 2.5**

## **COST BY ACCOUNT PER AVG DS3 SERVICE**

	A	B	C	
Account Number		223210		SOURCE, Col. A, B
Account Description	DIGITAL EQ	DIGITAL EQ		
Cost Factors	C0	REMOTE		
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.0839	0.0839		1992 Company Study
3 St/Fed Tax as a % of RIT	28.35%	28.35%		1992 Company Study
4 Cost of Money	0.0601	0.0601		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0238	0.0238		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0850	0.0850		1992 Company Study
7 Repair and Maintenance	0.0143	0.0143		1992 Company Study
8 Administration	0.0466	0.0466		1992 Company Study
9 Marketing	0.0110	0.0110		1992 Company Study
10 Other Taxes	0.0083	0.0083		1992 Company Study
11 Overhead	0.0287	0.0287		1992 Company Study
		Total (A+B)		
12 Gross Current Investment	\$37,556	\$27,058	\$64,613	See Workpaper 2.2
13 Equivalent Gross Book Investment	\$29,973	\$24,487		Line 10/ cc/bc ratio
Annual Cost				
14 Cost of Money	\$2,258	\$1,627	\$3,884	Ln 4 * Ln 12
15 State & Fed Taxes	\$893	\$644	\$1,537	Ln 5 * Ln 12
16 Depreciation	\$3,192	\$2,300	\$5,492	Ln 6 * Ln 12
17 Repair and Maintenance	\$537	\$387	\$924	Ln 7 * Ln 12
18 Administration	\$1,397	\$1,141	\$2,538	Ln 8 * Ln 13
19 Marketing	\$330	\$269	\$599	Ln 9 * Ln 13
20 Other Taxes	\$249	\$203	\$452	Ln 10 * Ln 13
21 Subtotal of Expenses	\$8,855	\$6,571	\$15,426	Sum (Ln 14...Ln 20)
22 Overhead	\$860	\$703	\$1,563	Ln 9 * Ln 11
Total Annual Costs	\$9,716	\$7,273	\$16,989	Ln 17 + Ln 18

5.5